GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:173
ANSWERED ON:09.03.2007
RECOVERY OF LOANS
Kaushal Shri Raghuvir Singh;Nikhil Kumar Shri

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that some of the banks have hired `goondas` to recover loans from defaulters;

(b) if so, whether the guidelines of the Government/Reserve Bank of India (RBI) are being flouted by banks to recover loans from the defaulters;

(c) if so, the details thereof; and

(d) the steps taken by the Government against such banks which have adopted criminal ways to recover the loans and are not following the guidelines of the Government/RBI?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (d): - A statement is laid on the Table of the House.

STATEMENT FOR LOK SABHA STARRED QUESTION NO. 173 FOR 09.03.2007 REGARDING RECOVERY OF LOANS TABLED BY SH. NIKHIL KUMAR AND SH. RAGHUVEER SINGH KOSHAL

(a) to (d): Reserve Bank of India (RBI) has received complaints against various banks alleging harassment and use of unfair means adopted for recovery purposes. As and when such complaints are received, these are examined in light of extant guidelines on the subject.As per RBI Guidel ines on Fair Practice Code for Lenders issued in May, 2003, it is inter-alia stipulated that in the matter of recovery of loans, the lender should not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle powers for recovery of loans etc.RBI has also issued instruction to all commercial banks/NBFCs (excluding Regional Rural Banks) in November, 2005 regarding Credit Card Operations which inter-alia stipulate that their agents should not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intending to humiliate publicly or intrude the privacy of the credit card holders` family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.The IBA has formulated a `Model Code for collection of dues and repossession of security` which has been recommended to banks in January, 2007 for adoption and implementation. The Model Code, inter alia, provides that banks commit to maintaining Dignity and Respect to customers in their Debt Collection Policy and not follow policies that are unduly coercive in collection of dues. The Hon`ble Supreme Court, in a recent judgement has ordered that Bank(s) should resort to procedure recognized by law to take possession of vehicles in cases where the borrower may have committed default in payment of the instalments instead of taking resort to strong arm tactics.